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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2004

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Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: *Wal-Mart Stores* expresses interest in another acquisition from Japan's retail sector; The Japanese retail sector points to the implementation of the new price-inclusive sales tax after experiencing undesirable sales results; *Mos Food Service* and *Sanko Marketing Foods* defy the overall slump in the food service sector; Increasing expectations for food ingredients used in the *nakashoku* market segment; *Seaboard Farms* of the U.S. joins two Japanese companies to deliver pork bone extract to the Japanese market and; The *U.S. Meat Export Federation's* "American Pork Caravan Car" is on the road in Japan.

Includes PSD Changes: No
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Food Business Line

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Retail/Wholesale

- According to the *Japan Franchise Chain Association*, total sales of member convenience stores in April increased by 0.7% on a same-store basis compared to the same month last year. It was the first increase in 14 months. Good beverage sales due to relatively hot weather contributed to the slight growth. (a 5/21)
- According to an interview with Mr. John Menzer, *Wal-Mart's* chief executive officer of the international division, *Wal-Mart Stores* is interested in acquiring another Japanese retail store operator in addition to *Seiyu Ltd.* *Wal-Mart* has an option to raise its 37.8% stake in *Seiyu* to 50.1% by the end of 2005. Mr. Menzer also indicated that they are likely to exercise the option. (a 5/26)
- According to the *Japan Chain Store Association*, total sales of its member retail outlets in April declined by 4.4% on a same-store basis compared to the same month last year. It was the second consecutive declining month. Also, according to the *Japan Supermarket Association*, total sales of member supermarkets in April declined by 4.1% on a same-store basis compared to the same month last year. And according to the *Japan Department Store Association*, total sales of member department stores declined by 1.0% in April compared to the same month last year. It appears the above declines are due to the Government's new law requiring retailers to display tax-inclusive prices (as opposed to adding at check-out) that started in April. The result gives appearance of higher prices and discourages consumer purchases. Food sales declined by 0.3% for department stores, 2.9% for chain stores, and 3.6% for food supermarkets. (a 5/25)

Food Service

- According to the survey by the *Nikkei Marketing Journal* on the food service industry in 2003, the overall market size shrunk for the fifth consecutive year. The 9.1% decline in new equipment investment funding in 2003 was also noteworthy. Despite the circumstances, *Mos Food Service* and *Sanko Marketing Foods*, had a remarkable two-digit increase in opening new stores and renovations. (b 5/18)
- *Yoshinoya D&C*, a major *gyudon* beef bowl chain operator, plans to start offering a new *sukiyaki*-type menu item using Australian beef. The new menu has received favorable responses so far by the test stores where it was offered on a trial basis for 380 yen. *Yoshinoya* plans to expand the menu in all 990 stores by year's end. (a 5/20)

Food Processing/New Products/Market Trends

- Food ingredients supplies continue to grow both for *nakashoku* take-out (deli) industry and for institutional food service companies, while the food service market overall is shrinking. Particularly, demand for pre-cooked kits of food ingredients, convenient for less experienced

but increasing part-time workers, is growing. Demand is expected to increase for food ingredients that match changing consumer food habits. (f 5/31)

Food Safety/Consumer Awareness

- *Riken Vitamin, a major seasonings manufacturer, Itochu and also Seaboard Farms of U.S., plan to set up a joint venture company in Oklahoma to produce and market pork bone extract. Demand for pork bone extract has been growing in Japan due to increased public fear over mad cow disease. Riken will procure all the pork bone extract made at the plant and process it before supplying it to Japanese food processing companies and restaurant operators. Riken is targeting sales of 500 million yen in fiscal 2007. (a 5/24)*

ATO/Cooperator/Competitor Activities/Trade Shows

- *U.S. Meat Export Federation is conducting an “American Pork Caravan Car Campaign” from May to June in Japan’s six major cities. The aim of the campaign is to offer correct information to consumers about U.S. pork and familiarize the Japanese consumer with its good taste. (f 5/31)*



<Photo of the American Pork Caravan>

Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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